

OPEN MEETING



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ORIGINAL

MEMORANDUM

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Arizona Corporation Commission

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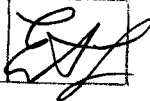
TO: THE COMMISSION

2014 FEB 25 P 2:41

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 25, 2014

DOCKETED BY 

RE: UNS ELECTRIC INC. - APPLICATION FOR APPROVAL OF REVISED RIDER-3
MARKET COST OF COMPARABLE CONVENTIONAL GENERATION
(DOCKET NO. E-04204A-14-0031)

Background

On February 3, 2014, UNS Electric, Inc. ("UNS" or "Company") filed an application for approval of its revised Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). UNS' Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the UNS Statement of Charges. The last revision of the Rider-3 rate was approved by the Arizona Corporation Commission ("Commission") Decision No. 73935 (June 27, 2013).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "Final" bill, the Company credits the customer for any balance of excess kWhs remaining. Payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. UNS has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Rider-3 applicable to NM-PRS. Rider-3 indicates that the MCCCG will be filed annually (by April 1) by UNS for Commission approval.

Proposed Tariff

UNS' proposed revision to Rider-3 would increase the MCCCG and, therefore, increases the avoided cost rate from 3.6653¢ per kWh to 3.697¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNS' hourly marginal costs that resulted in the 3.697¢ rate and finds the data and calculations to be reasonable.

Recommendations

Staff recommends that UNS' revised MCCCCG as applicable to Rider-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of 3.697¢ per kWh should be effective with the first billing cycle in June.

Staff further recommends that UNS file a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:sms\BES

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **BOB STUMP**

 Chairman

3 **GARY PIERCE**

 Commissioner

4 **BRENDA BURNS**

 Commissioner

5 **BOB BURNS**

 Commissioner

6 **SUSAN BITTER SMITH**

 Commissioner

7
8 IN THE MATTER OF THE APPLICATION }
9 OF UNS ELECTRIC, INC. FOR APPROVAL }
10 OF REVISED RIDER-3 MARKET COST OF }
11 COMPARABLE CONVENTIONAL }
12 GENERATION. }

DOCKET NO. E-04204A-14-0031

DECISION NO. _____

ORDER

13
14 Open Meeting
15 March 11 and 12, 2014
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. UNS Electric, Inc. ("UNS" or "Company") is certificated to provide electric service
20 as a public service corporation in the State of Arizona.

21 Background

22 2. On February 3, 2014, UNS filed an application for approval of its revised Rider-3
23 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction
24 with Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). UNS' Rider-3
25 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.
26 The rate is listed on the UNS Statement of Charges. The last revision of the Rider-3 rate was
27 approved by Arizona Corporation Commission ("Commission") Decision No. 73935 (June 27,
28 2013).

...

1 3. For Net Metering customers, each calendar year, for customer bills produced in
2 October (September usage) or for a customer's "Final" bill, the Company credits the customer for
3 any balance of excess kWhs remaining. Payment for the purchase of these excess kWhs is at the
4 Company's applicable avoided cost. UNS has defined its avoided cost as the average hourly
5 market cost of comparable conventional generation as specified on its proposed Rider-3
6 applicable to NM-PRS. Rider-3 indicates that the MCCCCG will be filed annually (by April 1) by
7 UNS for Commission approval.

8 **Proposed Tariff**

9 4. UNS' proposed revision to Rider-3 would increase the MCCCCG and, therefore,
10 increases the avoided cost rate from 3.6653¢ per kWh to 3.697¢ per kWh for purchases of excess
11 energy from Net Metering Facilities.

12 5. Staff has reviewed UNS' hourly marginal costs that resulted in the 3.697¢ rate and
13 finds the data and calculations to be reasonable.

14 **Recommendations**

15 6. Staff has recommended that UNS' revised MCCCCG as applicable to Rider-4 NM-
16 PRS be approved.

17 7. Staff has further recommended that the avoided cost rate of 3.697¢ per kWh should
18 be effective with the first billing cycle in June.

19 8. Staff has further recommended that UNS file a Statement of Charges consistent
20 with the Decision in this case within 15 days of the effective date of the Decision.

21 **CONCLUSIONS OF LAW**

22 1. UNS is an Arizona public service corporation within the meaning of Article XV,
23 Section 2, of the Arizona Constitution.

24 2. The Commission has jurisdiction over UNS and over the subject matter of the
25 application.

26 3. Approval of the revised Rider-3 MCCCCG does not constitute a rate increase as
27 contemplated by A.R.S. Section 40-250.

28 ...

1 4. The Commission, having reviewed the application and Staff's Memorandum dated
2 February 25, 2014, concludes that the revised Rider-3 MCCCCG should be approved as discussed
3 herein.

4 ORDER

5 IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Rider-3 Market Cost of
6 Comparable Conventional Generation as applicable to Rider-4 is approved as discussed herein.

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1 IT IS FURTHER ORDERED that the avoided cost rate of 3.697¢ per kWh shall be
2 effective with the first billing cycle in June.

3 IT IS FURTHER ORDERED that UNS Electric, Inc. shall file in Docket Control a
4 Statement of Charges consistent with the Decision in this case within 15 days of the effective date
5 of the Decision.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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10 _____
CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

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15 IN WITNESS WHEREOF, I, JODI JERICH, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2014.

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JODI JERICH
EXECUTIVE DIRECTOR

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22 DISSENT: _____

23
24 DISSENT: _____

25 SMO:JJP:sms/BES
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1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-04204A-14-0031

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